
CREATIVE COMMONS

FINANCIAL STATEMENTS

December 31, 2003

(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2002)

CROSBY & KANEDA
Certified Public Accountants

Dedicated to Nonprofit Organizations

CREATIVE COMMONS

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Latham Square Building
1611 Telegraph Ave. Suite 318
Oakland, CA 94612-2151
Tel: 510 • 835 • CPAS (2727)
Fax: 510 • 835 • 5711
e-mail: info@ckcpa.biz

INDEPENDENT AUDITORS' REPORT

Board of Directors
Creative Commons
San Francisco, California

We have audited the accompanying statement of financial position of Creative Commons (a nonprofit Massachusetts corporation) as of December 31, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Creative Commons' 2003 financial statements and, in our report, dated October 6, 2003; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Crosby & Kaneda

Certified Public Accountants
Oakland, California
May 3, 2005

CREATIVE COMMONS

Statement of Financial Position
December 31, 2003
(With Comparative Totals for December 31, 2002)

Assets	<u>2003</u>	<u>2002</u>
Current Assets		
Cash and cash equivalents	\$ 855,150	\$ 525,415
Grants receivable (Note 3)	1,000,000	900,000
Accounts receivable, net (Note 8)	16,618	20,979
Total current assets	<u>1,871,768</u>	<u>1,446,394</u>
Property and equipment, net (Note 4)	<u>9,248</u>	<u>6,586</u>
Total Assets	<u>\$ 1,881,016</u>	<u>\$ 1,452,980</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 52,978	\$ 25,832
Total current liabilities	<u>52,978</u>	<u>25,832</u>
Net Assets		
Unrestricted net assets	678,038	527,148
Temporarily restricted (Note 6)	1,150,000	900,000
Total net assets	<u>1,828,038</u>	<u>1,427,148</u>
Total Liabilities and Net Assets	<u>\$ 1,881,016</u>	<u>\$ 1,452,980</u>

See Notes to the Financial Statements

CREATIVE COMMONS

Statement of Activities
Year Ended December 31, 2003
(With Comparative Totals for the Year Ended December 31, 2002)

	Unrestricted	Temporarily Restricted	Total	
			2003	2002
Support and Revenue				
Foundation grants	\$	\$1,000,000	\$ 1,000,000	\$ 2,015,000
Donations	1,680		1,680	-
Interest	8,713		8,713	2,584
In-kind contributions (Note 7)	145,442		145,442	227,904
Total Revenue	<u>155,835</u>	<u>1,000,000</u>	<u>1,155,835</u>	<u>2,245,488</u>
Net assets released from restrictions (Note 6)	<u>750,000</u>	<u>(750,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>905,835</u>	<u>250,000</u>	<u>1,155,835</u>	<u>2,245,488</u>
Expenses				
Program	534,092		534,092	750,678
General and administration	198,231		198,231	55,461
Fundraising	22,622		22,622	14,654
Total Expenses	<u>754,945</u>	<u>-</u>	<u>754,945</u>	<u>820,793</u>
Change in net assets	<u>150,890</u>	<u>250,000</u>	<u>400,890</u>	<u>1,424,695</u>
Net Assets, beginning of year	<u>527,148</u>	<u>900,000</u>	<u>1,427,148</u>	<u>2,453</u>
Net Assets, end of year	<u>\$ 678,038</u>	<u>\$1,150,000</u>	<u>\$ 1,828,038</u>	<u>\$ 1,427,148</u>

See Notes to the Financial Statements

CREATIVE COMMONS

Statement of Cash Flows
Year Ended December 31, 2003
(With Comparative Totals for Year Ended December 3, 2002)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Change in net assets	\$ 400,890	\$ 1,424,695
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	2,798	1,808
Change in assets and liabilities:		
Grants receivable	(100,000)	(900,000)
Accounts receivable	4,361	(20,979)
Accounts payable and accrued expenses	27,146	25,832
Net cash provided by operating activities	<u>335,195</u>	<u>531,356</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(5,460)</u>	<u>(5,941)</u>
Net cash used by financing activities	<u>(5,460)</u>	<u>(5,941)</u>
Net change in cash and cash equivalents	<u>329,735</u>	<u>525,415</u>
Cash and cash equivalents, beginning of year	<u>525,415</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 855,150</u>	<u>\$ 525,415</u>

See Notes to the Financial Statements

Creative Commons

Statement of Functional Expenses
Year Ended December 31, 2003
 (With Comparative Totals for Year Ended December 3, 2002)

	Program	General and Administration	Fundraising	Total	
				2003	2002
Salaries	\$ 196,544	\$ 14,424	\$ 15,128	\$ 226,096	\$ 147,494
Payroll taxes	17,963	1,239	1,445	20,647	12,202
Employee benefits	4,568	315	367	5,250	1,962
	<u>219,075</u>	<u>15,978</u>	<u>16,940</u>	<u>251,993</u>	<u>161,658</u>
Consulting and design	169,123	20,019		189,142	151,688
Accounting fees		2,600		2,600	2,873
Legal fees	2,690	146,116		148,806	230,748
Equipment					2,975
Occupancy	10,838	963	241	12,042	6,000
Travel and conferences	53,027	3,632	5,085	61,744	40,572
Supplies	3,964	352	87	4,403	5,899
Depreciation	2,519	224	55	2,798	1,808
Insurance	26,032	2,893		28,925	27,260
Payroll fees		1,529		1,529	
Telephone	2,511	289	87	2,887	7,911
Website development and hosting	18,788	2,088		20,876	179,453
Publicity and communications	19,828	1,044		20,872	
Miscellaneous	5,697	504	127	6,328	1,948
	<u>\$ 534,092</u>	<u>\$ 198,231</u>	<u>\$ 22,622</u>	<u>\$ 754,945</u>	<u>\$ 820,793</u>

See Notes to the Financial Statements

CREATIVE COMMONS**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED DECEMBER 31, 2003****(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2002)**

NOTE 1: NATURE OF ACTIVITIES

Creative Commons (the Organization) is a Massachusetts nonprofit public benefit corporation devoted to expanding the range of creative work available for others to build upon and share.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Revenue Recognition

Contributions are recognized as revenue when received or unconditionally promised. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and the California Revenue and Taxation Code Section 23701(d).

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CREATIVE COMMONS

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003 (WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2002)

Cash and Equivalents

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2002, from which the summarized information was derived.

NOTE 3: GRANTS RECEIVABLE

Contributions receivable consist of a single multi-year grant.

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31,:

	<u>2003</u>	<u>2002</u>
Equipment	\$ 13,854	\$ 8,394
Less accumulated depreciation	<u>(4,606)</u>	<u>(1,808)</u>
Total	<u>\$ 9,248</u>	<u>\$ 6,586</u>

CREATIVE COMMONS

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2002)**

NOTE 5: CONCENTRATION OF CREDIT RISK**Cash**

The Organization maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as concentration of credit risk requiring disclosure regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

Revenue and Receivables

During the year ended December 31, 2003, the Organization received 87% of its income from a single donor. Total grants receivable at December 31, 2003 were from the aforementioned source.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

All temporarily restricted net assets are subject to time restrictions and are available for support for the two years ending December 31, 2005.

Temporarily restricted net assets were released from donor restriction during the year ended December 31, 2003 as the time restriction expired.

NOTE 7: IN-KIND SUPPORT

The Organization received legal services to evaluate the copyright and copy protection implications and consequences of its licensing, music storage, and collaborative artistic operations. Management considers that the legal consultations constitute adequate precautions to mitigate exposure to liability.

NOTE 8: RELATED PARTY TRANSACTION

The Organization loaned its executive director funds to subsidize his moving and resettlement expenses. The remaining balance and accumulated interest on the loan was forgiven in 2004, and the value of the loan forgiveness was included in his annual summary of earnings.